PLATFORM FOR CHANGE

METROLINX

An agency of the Government of Ontario

UNION STATION
5
6
YRT
7
8304
2189

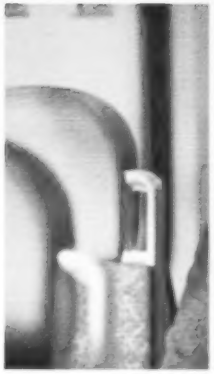
In 2009/2010, we had the great pleasure of officially welcoming GO Transit under the Metrolinx banner. Both organizations are stronger, more efficient and more effective because of it. The year was largely one of cementing relationships and continuing to lay the building blocks for a region that's clearly on the move – *The Big Move.* We made a number of important strides in shaping the attitudinal and behavioural transformation of commuters in our region – encouraging and facilitating the shift from an inherited preference for cars to a growing commitment to public transit. Despite the challenges of economic circumstance, we accomplished a lot in our first year together.

METROLINX

An agency of the Government of Ontario

A Division of Metrolinx

Metrolinx
20 Bay Street, Suite 600 | Toronto, Ontario | M5J 2W3
Tel: 416.869.3600 | Fax: 416.869.3525 | Web: metrolinx.com gotransit.com



© 2010, Metrolinx

TABLE OF CONTENTS

01 MESSAGE FROM THE CHAIR

02 MESSAGE FROM THE PRESIDENT AND CEO

03 A NEW PLATFORM FOR CHANGE

05 GOVERNANCE STRUCTURE

08 OUR VISION, MISSION, VALUES

12 OUR TOP PRIORITIES

- 13 Improving the GO Customer Experience
- 17 GO Service Expansion and Performance
- 21 GTHA Transit Network Expansion
- 25 Policy and Planning
- 27 The Investment Strategy
- 30 Sustainability

31 MOVING FORWARD

33 SUMMARY OF FINANCIAL RESULTS

41 MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

43 AUDITED FINANCIAL STATEMENTS

MESSAGE FROM THE CHAIR

On behalf of the Board of Directors, I am pleased to present this year's 2009-2010 Annual Report.

The 2009-2010 fiscal year was a year of many milestones for Metrolinx.

It saw the merger of Metrolinx with GO Transit, combining the strategic and planning expertise of Metrolinx with the operational and project implementation strengths of GO Transit.

We successfully secured $9.5 billion in provincial funding towards expanding regional transit infrastructure.

And through this commitment, we witnessed the evolution of *The Big Move* from plan to action, with two of the five announced *Big Move* projects breaking ground in the City of Toronto and in York Region, and the other three in advanced stages of preparation.

2010 was also a year that reinforced the strength of GO by focusing on delivering a customer-first transit service, with steady improvement in all measures of performance.

And it was a year of major infrastructure growth, with the start of the Georgetown South expansion project and the beginning of the revitalization of Union Station – the transit hub of Canada.

As we continue to build these platforms of change, I anticipate that 2010-2011 will continue to be a year of even greater growth and progress.

Rob MacIsaac
Chairman

It has been an exciting year of change and achievement for the new Metrolinx. Building on the work of GO Transit and the old Metrolinx, we have built a new unified organization that is delivering mobility solutions for the Greater Toronto and Hamilton Area (GTHA). The Metrolinx mandate is an important one and it is crucial to the growth and development of an integrated transportation system for the GTHA.

MESSAGE FROM THE PRESIDENT AND CEO

Metrolinx has identified some important priorities and has made major strides over the last year in those areas.

For GO Transit customers, we made a commitment to do more to enhance the passenger experience for customers who rely on GO service every day. We continue to expand and improve our service to provide more choices and options for travel that will attract more transit users in the years to come.

Across the GTHA we are building new transit lines to help increase ridership, create jobs and integrate with existing regional transit systems. In partnership with the Province, the regions and municipalities, we are building a stronger transit infrastructure to meet the needs of the region.

To ensure Metrolinx's ability to continue to make these important infrastructure improvements, we are also looking ahead and identifying areas where new investment will be required to sustain this progress in public transit development and expansion. We have made a very good start but we have much more to do.

A year after the merger of GO Transit and the old Metrolinx, the new Metrolinx is well positioned to support the development of an integrated transportation system. As we move into 2010-2011, we have another ambitious agenda and we look forward to continuing to be a champion for public transit in the GTHA. We can only succeed in these efforts with the strong support of the Province, the full cooperation of our regional and municipal partners, and the outstanding commitment of all of our employees. We are grateful for all of their contributions to our work.

J. Robert S. Prichard
President and CEO

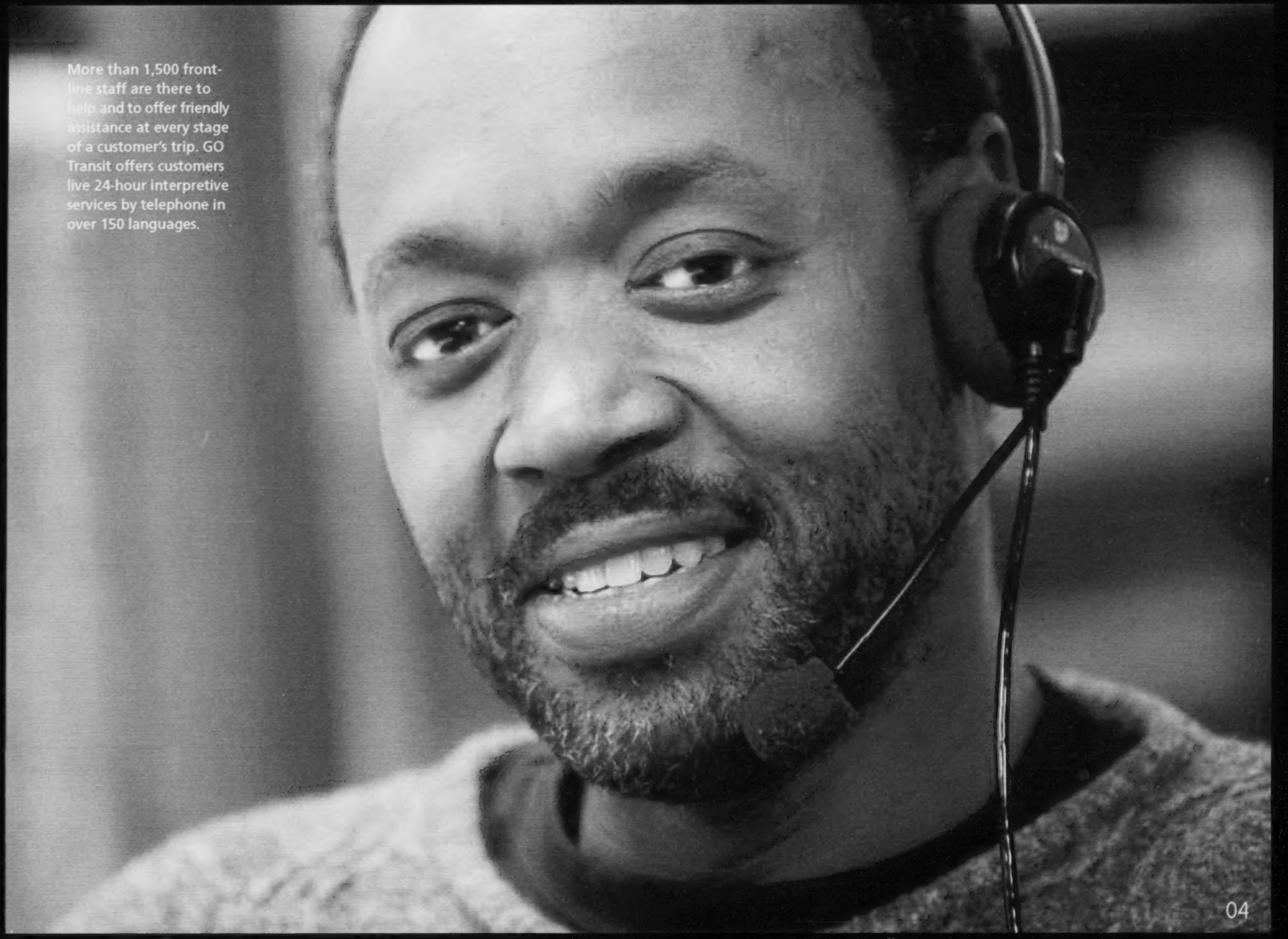
METROLINX AND GO TRANSIT: A NEW PLATFORM FOR CHANGE

On May 14, 2009, the Government of Ontario merged the functions of two agencies into a stronger platform for linking people to places. The new Metrolinx combines the strategy and planning expertise of the former agency with GO Transit's proficiency in project implementation, operations and customer service.

The primary focus of Metrolinx is the development of an integrated transportation system for the Greater Toronto and Hamilton Area (GTHA) – including enhanced and expanded GO Transit services. As the operating division, GO Transit will continue to build and operate the interregional transit system that has made GO a highly reliable and recognized brand for the past 40 years.

The merger consolidates corporate functions and aligns staff resources with core functions. Corporate policies and standard operating procedures have been updated to ensure this newly integrated organization is more effective and efficient in delivering on its important mandate.

The new Metrolinx comprises over 1,900 people, with just over 250 managerial and supervisory staff and over 1,500 employees on the front lines of GO Transit service delivery.



More than 1,500 front-line staff are there to help and to offer friendly assistance at every stage of a customer's trip. GO Transit offers customers live 24-hour interpretive services by telephone in over 150 languages.

GOVERNANCE STRUCTURE

Metrolinx is governed by a Board of Directors appointed by the Ontario Minister of Transportation. Consisting of experts in finance, urban planning, law, customer service, human resources, community development and other disciplines, the Board convenes six times a year, including four meetings that have sessions open to the public.

Metrolinx Board of Directors

Rob MacIsaac, Chair
President, Mohawk College

Peter R. Smith, Vice-Chair
President and Co-Founder of Andrin Limited

J. Robert S. Prichard
President and CEO

Elyse Allan
President and Chief Executive Officer, GE Canada

Jennifer E. Babe
Partner, Miller Thomson LLP

Paul Bedford
Urban Mentor and Chief Planner Emeritus, City of Toronto

Rahul Bhardwaj
President and CEO, Toronto Community Foundation

Tony Gagliano
Executive Chairman and Chief Executive Officer of St. Joseph Communications

Joseph A.G. Halstead
Former Commissioner of Economic Development, Culture and Tourism, City of Toronto

Richard Koroscil
President and CEO, John C Munro Hamilton International Airport

Nicholas Mutton
Executive Vice-President, Human Resources and Administration, Four Seasons Hotels and Resorts

Lee Parsons
Founding Partner, Malone Given Parsons Ltd.

Rose M. Patten
Senior Executive Vice-President, Head of Human Resources and Senior Leadership Advisor, BMO Financial Group

Stephen Smith
Co-Founder, Chairman and President of First National Financial LP

Douglas Turnbull
Deputy Chairman of TD Securities

Corporate governance best practices have been continued and enhanced at the new Metrolinx Board. This commitment, and Metrolinx's achievements in this regard, have been acknowledged by the Auditor General of Ontario in his 2009 Annual Report.

Our major governance activities this year include the following:

- A *Board of Directors Charter* was approved by the new Metrolinx Board in July of 2009. This document confirms the Board's general stewardship function and defines the Board's roles and responsibilities with respect to operational and financial matters, management oversight and succession planning, and Board and committee effectiveness. The Charter also implements a rigorous process for Director education and Board and committee evaluation.
- That same month, the Board also approved a *Code of Business Conduct and Ethical Behaviour for Directors*. This document illustrates the standards of conduct and ethical behaviour expected of all members of the Metrolinx Board, and strongly emphasises the role Board members play in maintaining a culture of integrity within the organization as a whole. In keeping with best practices, and to highlight its importance to the organization, this document has been signed by each individual Director and posted on the Metrolinx website.
- The new Metrolinx Board has also retained a strong committee structure, establishing four Committees of the Board – Audit, Finance and Risk Management; Human Resources and Compensation; Customer Service; and Governance – to ensure effectiveness and efficiency. These committees regularly review and provide advice to the Board on significant matters within their respective mandates. Comprehensive terms of reference and committee workplans have been developed to guide and ensure the appropriate level of oversight.
- The Metrolinx Board continues to be engaged in the corporation's formal strategic planning activities. In addition to two separate all-day meetings specifically focussed on strategy and priority setting, management regularly seeks Board input on strategic matters during quarterly Board meetings and otherwise as appropriate.

Over its 40 year history, GO has become a highly reliable and recognized brand. The new Metrolinx combines the strategy and planning expertise of the former agency with GO Transit's proficiency in project implementation, operations and customer service.

Metrolinx affirmed a statement of vision and of mission to guide this newly merged organization – a clarity of purpose supported by the vision and mission of GO Transit – with shared principles that govern our collective actions.

VISION, MISSION, VALUES: OUR PLATFORM OF BELIEFS

Metrolinx

Vision Working together to transform the way the region moves

Mission To champion and deliver mobility solutions for the Greater Toronto and Hamilton Area (GTHA)

GO Transit

Vision To be the preferred choice for regional travellers across the Greater Toronto and Hamilton Area (GTHA)

Mission To be a customer-first regional transit service

VISION, MISSION, VALUES: OUR PLATFORM OF BELIEFS

Values

Commitment – We will take action with high energy and commitment reflecting the importance of our work. We will hold ourselves accountable for our decisions and our commitments to the communities we serve. We will strive for an environment where we are fully engaged and take initiative.

Service – We will consistently put our work in the context of the people and the public purpose we serve. We will anticipate, understand and continuously exceed our customers' expectations. We will place the needs of our customers, stakeholders and communities at the centre of decision-making throughout the organization.

Working Together – As a group of individuals, we will work together in a spirit of trust and respect to achieve our shared vision. We will actively seek opportunities to collaborate both internally and externally. Internally, we will work across organizational units to achieve our common goals. If our work supports internal customers, we will work to meet and exceed their expectations. Externally, we will be recognized by our stakeholders as strong partners.

Innovation – We will encourage creativity, innovation and informed risk-taking to achieve personal growth and organizational success. We will create an environment that engages all employees and brings about our full potential. Through mentoring and training, we will develop the leadership capabilities in us all. We will resolve complexity to provide an 'easy' experience to customers, and embrace innovation to achieve our mission.

Customer Service Ambassadors on GO Trains attend to the needs of our riders and provide the latest information about service status as well as announce station stops, upcoming service changes and passenger safety reminders.

It has been an extraordinary year for the new Metrolinx. Following our merger with GO Transit, the Province of Ontario announced $9.5 billion in funding to build priority transit projects and, through GO Transit, delivery of the best possible transit experience for our customers.

OUR TOP PRIORITIES: A PLATFORM FOR SUCCESS

Now in a better position to act towards our goal of an integrated transportation system for the GTHA, we worked diligently and creatively to achieve success in our top three priority areas:

1. As reliable and efficient as GO Transit is, make it even better. Make our customers the driving force behind everything our organization undertakes.

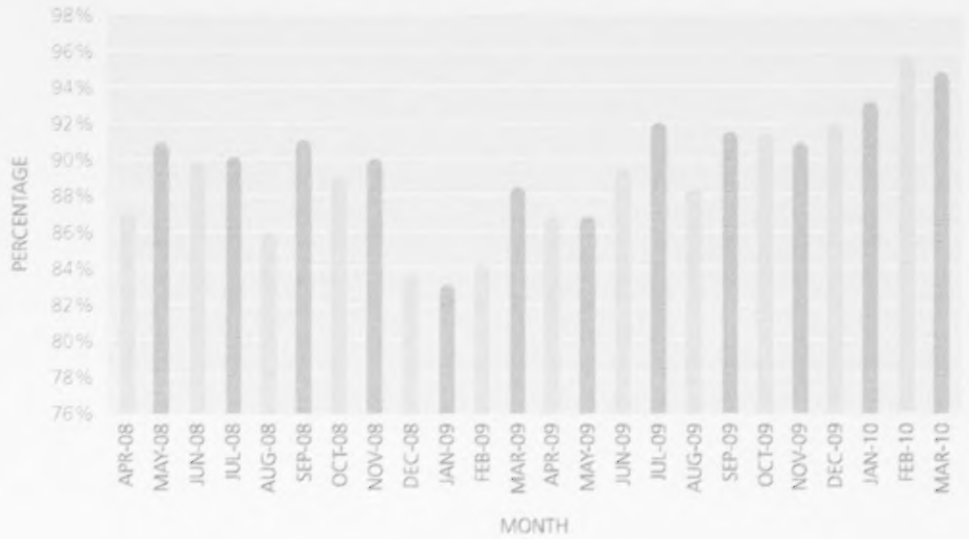
2. Build the $9.5 billion in transit projects in the GTHA. Build them quickly and build them well.

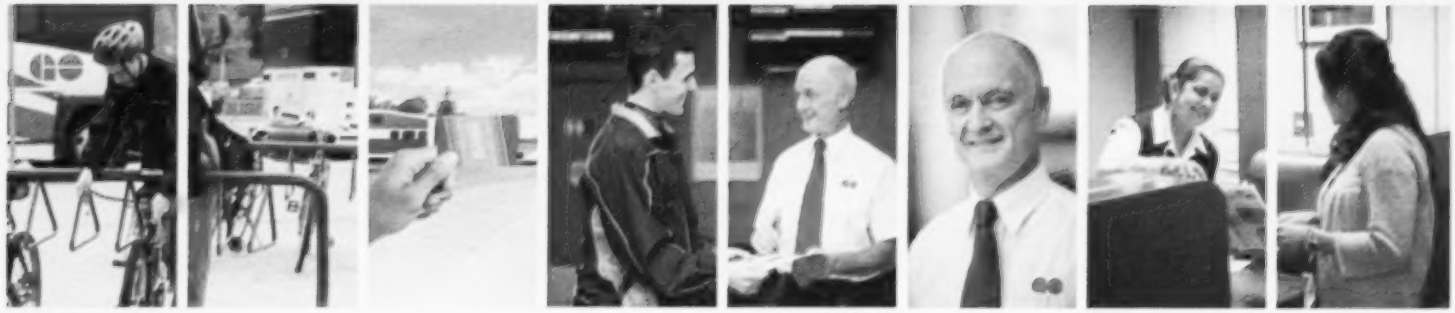
3. Begin the conversation with citizens of the region on how to pay for the remainder of *The Big Move*. Start now, well in advance of the legislated report-back date of June 1, 2013.

THE CUSTOMER EXPERIENCE: A PLATFORM OF IMPROVEMENT

GO achieved seven straight months of improved on-time performance. We realized a Yearly On-Time Performance (OTP) of 91% in rail services compared to the previous year's OTP of 88.1%. GO Bus service continued to deliver 98 to 99% on-time performance. Our customers have noticed. Complaints about reliability for the last three months of 2009, fell by 37% compared to the same period the previous year.

APRIL 2008 - MARCH 2010 OTP





GO Transit's focus is on the safety, comfort and convenience of our customers, who often define more comfort as having a seat for their journey. As a result, we began using longer 12-car trains that offer 315 extra seats per trip. The amenity customers told us they most wanted – heated shelters – is part of our program for retrofitting GO rail stations.

Convenient, easily accessible parking directly affects the level and frequency of ridership, and the quality of the transit experience for our customers. We added over 5,000 new parking spaces in 2009 – exceeding our target of 2,000 spaces per year. New multi-level parking structures opened at Whitby and Aurora GO Stations, as well as several surface parking lots. In 2010, construction will be underway at Ajax, Centennial, and Erindale GO Stations with design already started for Oakville, Clarkson and Pickering stations. And almost all GO stations now have areas for bicycles – the bike storage program is 95% complete.

From deploying ramps that make our trains accessible to providing timely service information, our new Customer Service Ambassadors onboard GO Trains fulfill many functions. Since they came onboard two years ago, commendations from customers have increased 200%.

Our customers should be able to use a seamless, integrated fare system for all transit systems across the region. In 2009, the province, through GO Transit, launched the ***PRESTO card***. Throughout the year we prepared for full deployment with trial runs involving GO Transit's Lakeshore West rail line, Oakville and Burlington Transit and access to the TTC Union Station subway. Customer use of the PRESTO card started in May of 2010, and the rollout continues with full implementation scheduled for 2011.

AVERAGE WEEKDAY RIDERSHIP					TOTAL RIDERSHIP	
	Jan 2010	Feb 2010	Mar 2010	Qtr Ending Mar 2010 vs Qtr Ending Mar 2009	Fiscal Year Ending Mar 2010 vs Fiscal Year Ending Mar 2009	Fiscal 2009/2010 Goal
Overall	213,490	210,760	219,000	4.8%	1.2%	4.5%
Rail	176,830	175,890	181,950	2.4%	-0.2%	
Bus	36,660	34,870	37,050	16.9%	9.4%	

THE CUSTOMER EXPERIENCE: A PLATFORM OF IMPROVEMENT

Our customers have also told us they need information – fast, accurate and more accessible. So we upgraded technology – along our rail lines and online. GO installed a new system of electronic signs at Union Station and our other stations that give our customers up-to-date details on their train schedules. And we launched a more user-friendly GO Transit website with intuitive navigation.

We also partnered with Google to give our customers a new way to get trip information. ***Google Transit Trip Planner*** integrates GO schedule information with Oakville, Hamilton and York Region Transit to generate an integrated route complete with walking directions, transfers, and a map. Available in 45 languages, Transit in Google Maps is accessible on mobile devices and to persons who use screen readers or Braille displays. Over the coming months other local transit systems will embrace this customer tool.

Currently, 58,000 GO customers get transit updates via our E-News alerts. At their request, we changed the schedule of alerts from 30 to 15 minutes. We will be conducting more frequent surveys so we can respond more effectively to the needs of our customers. We've also opened new channels of communication on Facebook and Twitter.

Ridership continues to grow. The original GO Train service carried 2.5 million passengers in 1967. Today, GO Transit carries over 55 million passengers a year on its network of trains and buses.

GO Transit is focused on service that puts our customers first. Responding to their demand we added two new weekday train trips on the Milton line, providing space for an additional 1,600 passengers during each rush hour. We also added an extra afternoon rush hour train on the busy Lakeshore East line. The purchase of 20 more bi-level railcars this fiscal year enables us to further increase the service our customers have been asking for.

GO SERVICE EXPANSION: A PLATFORM FOR PEOPLE

We introduced daily GO Bus services to ***Peterborough, Kitchener/Waterloo*** and the ***Niagara Region***, and excursion train service between Toronto and Niagara Falls on summer weekends. The popular Niagara train attracted 50,000 riders in the first year – 85% of them new customers to GO.

In partnership with ***Sheridan College*** and ***Oakville Transit***, GO built a bus loop on the college campus that contributed to a significant increase in ridership on this route. We've since added new bus stops with appropriate amenities at ***Trent University, Wilfrid Laurier University*** and the ***University of Waterloo***. Several park and ride lots were put into place for other bus services.

We began construction on the ***Mississauga Bus Rapid Transit Corridor***, which will ultimately stretch from Oakville to Durham Region. This new two-lane, bus-only roadway will improve operational efficiency and on-time performance. The first phase includes two park and ride lots with customer facilities. Road alignment along Highway 403 has been planned to have minimal effect on the natural environment.

As service areas expand, information technology systems are being updated on both bus and rail operations – radio systems, GPS and ATLS. To accommodate a growing fleet, new bus storage facilities in Milton and Bramalea will accommodate our expanded operations.

Ownership of rail corridors is strategically important for the future of GO Transit. In addition to CN's Weston Subdivision acquired in fiscal 2009 for expanded GO Train services between downtown Toronto and regions northwest of the city, we took ownership of the lower portion of the Barrie Corridor. GO now owns the 60-mile-long link between downtown Toronto and Barrie. We also acquired an important section of Lakeshore West from the Willowbrook Maintenance Yard to Union Station. These acquisitions will enable GO to provide more reliable service for our customers.

Many GO rail stations are under construction with the introduction of snow melt systems to the platforms, continued upgrading of accessibility standards, new tunnels and bridges from parking structures to the platform, and provision of information technology systems to assist our customers in their daily commutes.

Reconstruction of the Union Station train shed began on January 11, 2010. Over 80 years old and in great need of repair, the structure will be remodeled with a glass atrium to create an exciting, airy look—and feel.

At Union Station, work is currently underway to upgrade the track and signal system to increase capacity and improve reliability in this vital corridor. Already Canada's busiest passenger transportation facility, Union Station will see traffic multiply over the coming years as a result of regional rapid transit expansion.

The five-year revitalization plan for Union Station is being phased-in to minimize service disruptions and inconvenience to our customers. Each phase will bring us closer to a fully modernized environment. Electrical, mechanical, and communications systems will be replaced; access to platforms will be refurbished. The historical elements of this almost century-old building will be preserved.

TRANSIT NETWORK EXPANSION: NEW PLATFORMS FOR THE GTHA

The fiscal year began wi
funding for the Big 5 re
previously identified as be
These new transit lines w
quality, reduce travel time
Greater Toronto and Ham

Construction began on the firs
from Markham Centre to Richm
Region to travel freely no matt
providing faster, more reliable
created and supported with thi
first section will be ready in 20

Construction on the **Sheppar**
Metrolinx will oversee project i
be fully integrated into the cur
Games. The 14-kilometre light
right of way running from the D
Avenue. Costing $950 million,
and indirect jobs during constr

A major new crosstown LRT pr
construction in 2011. In the firs
Station to Jane Street and on to
Keele Street in the west and La
tunnelled. Construction of this
will create or support an estima

r began with the announcement of $9.5 billion in provincial he Big 5 regional transit initiatives – projects Metrolinx had ntified as being among the top 15 priorities of The Big Move. ansit lines will help increase ridership, create jobs, improve air e travel time and increase access to other transit systems in the to and Hamilton Area.

gan on the first segment of the ***York Viva Rapidway*** along Highway 7 Centre to Richmond Hill Centre. The rapidway will allow Viva buses in York freely no matter how much traffic is using the conventional roadway, more reliable service to commuters. An estimated 11,000 jobs will be ported with the construction of the $1.4 billion York Viva Rapidway. The e ready in 2014.

the ***Sheppard East Light Rail Transit (LRT)*** is also underway. ersee project implementation by the TTC and own the new line, which will d into the current Toronto transit system by 2014, in time for the Pan Am ilometre light rail line is being built on Sheppard Avenue East in a dedicated ing from the Don Mills Subway Station to Conlins Yard just past Morningside $950 million, the project will create and support approximately 9,500 direct during construction.

sstown LRT project along Eglinton Avenue in Toronto is planned to be under 011. In the first phase it will run approximately 20 kilometres from Kennedy treet and on to Pearson Airport when phase two is completed. Between e west and Laird Avenue in the east, 11 kilometres of the route will be ruction of this major project, which will cost approximately $4.6 billion, port an estimated 46,000 jobs.

The Finch LRT will stretch from the new Spadina Subway west to Humber College. Future phases will see the line extended from the Spadina Subway to the Yonge Subway and potentially further to the Don Mills Subway Station. With an estimated cost of $1.2 billion, the project will begin in 2015, creating or supporting nearly 12,000 jobs during the five-year construction schedule.

The Scarborough Rapid Transit Line currently carries 45,000 passengers per day and has been a critical piece of the transit network since opening in 1985. In partnership with the TTC, Metrolinx will transition this line into an LRT and extend it to Sheppard Avenue. Construction will begin in the second half of 2015 in order not to interfere with the Pan Am Games and will be completed in 2020. The project, estimated at $1.4 billion, will create or support nearly 14,000 jobs during construction.

In collaboration with Metrolinx, the City of Hamilton is conducting a feasibility study on the city's plans for LRT along Main Street. The Metrolinx Benefits Case Analysis (BCA) demonstrated that all three options – full BRT, full LRT and partial LRT – could accommodate long-term travel demand along the city's east-west corridor and would generate net benefits for the region. A key project evaluation tool, the BCA measures the transportation, financial, economic, environmental and social impacts of each project over a long-range, 30-year time horizon.

TRANSIT NETWORK EXPANSION: NEW PLATFORMS FOR THE GTHA

Metrolinx consulted extensively with neighbourhood organizations and individual citizens along the Georgetown South Rail Corridor. In response to the tremendous feedback, we made a number of amendments and refinements to the project consistent with our commitment to mitigate any adverse impacts on the surrounding communities. As an example, the use of Tier 4 compliant locomotives will reduce emissions of nitrogen oxides by more than three quarters from the original estimate.

The north south tracks of GO's Georgetown line will be lowered in the Junction area of Toronto so that they run under Canadian Pacific Railway's North Toronto line. By separating freight traffic from public transit, the ***West Toronto Diamond Project*** will improve the reliability of GO service and result in less pollution and noise for residents with fewer trains stopping and idling in the neighbourhood.

Construction has been noisy for some residents however, particularly the use of impact hammers to pile steel pipes in the ground. So far, 85% of the piles needed for the project have been installed. In June 2009, we implemented the use of quieter technology and, as a result, the noise from our work was cut in half. We also incorporated additional measures as directed by the Canadian Transportation Agency and are in full compliance with their ruling.

Georgetown South is a $1 billion expansion initiative funded by the federal and provincial governments and local municipalities through the Canada Strategic Infrastructure Fund. When completed in 2015, it will make major improvements to transit in northwest Toronto and Peel Region, including an airport shuttle rail link between Union Station and Lester B. Pearson Airport.

New transit initiatives will help increase ridership, create jobs, improve air quality, reduce travel time and enhance the prosperity and quality of life in the GTHA.

Metrolinx expanded strategic capacity as well in 2009, making significant progress to ensure implementation stays true to The Big Move – the premier manifestation of integration of land use and transportation planning.

POLICY AND PLANNING: A STRATEGIC PLATFORM

The ***Mobility Hub*** concept is perhaps the best evidence of this, as development of guidelines to assist municipalities and decision-makers nears completion. Of the 51 hubs identified by *The Big Move*, six are already benefiting from Metrolinx leadership towards improving multi-modal transportation and land use integration.

The ***Kipling Mobility Hub*** design concept and phasing plan is complete, with work continuing among Hydro and Metrolinx partners to formalize the coordination of operations for this site. This multi-modal interregional terminal will integrate GO Bus and rail, TTC bus and subway and Mississauga Transit bus service. Transit functions at this LEED Gold hub are designed to perform seamlessly and the hub will connect strongly to the urban fabric, neighbourhoods and adjoining communities.

Our ***Smart Commute*** program works directly with major employers in the GTHA to improve commuting options – like carpooling, cycling and transit – for their employees. In 2009-10, 27 new employers joined Smart Commute, bringing the total for the program to 140 companies representing 345,000 commuters. New members include Ceridian, Rogers Communications, LoyaltyOne, Liberty Village BIA, Ontario Power Authority, Sheridan College and Nestlé Canada.

For the first time in Ontario, the ***Transit Partnerships Innovation Program*** has successfully developed a common RFP guideline and common performance-based vehicle specifications. Working with nine municipalities and three non-profit agencies, the resulting purchase of 126 - eight metre low and high-floor specialized buses will save transit operators approximately $4 million.

GO Electrification

Metrolinx launched a feasibility study for the whole GO rail system to determine future alternatives to existing diesel trains. The study will address factors for comparing technologies, including reliability and service, environmental and health impacts, community and land use impacts, and economic and system-wide impacts such as funding and financing. The study is to be completed by the end of 2010.

Metrolinx Recognition

Metrolinx received the 2009 Canadian Institute of Planners Award for Planning Excellence in recognition of *The Big Move*, our twenty-five year transportation plan for the GTHA.

"On or before June 1, 2013, the Corporation shall provide the Minister and the heads of the councils of the municipalities in the regional transportation area with a copy of the Corporation's investment strategy, including proposals for revenue generation tools that may be used by the province or the municipalities to support the implementation of the transportation plan for the regional transportation area."

– Metrolinx Act (amended May 2009), Section 32.1

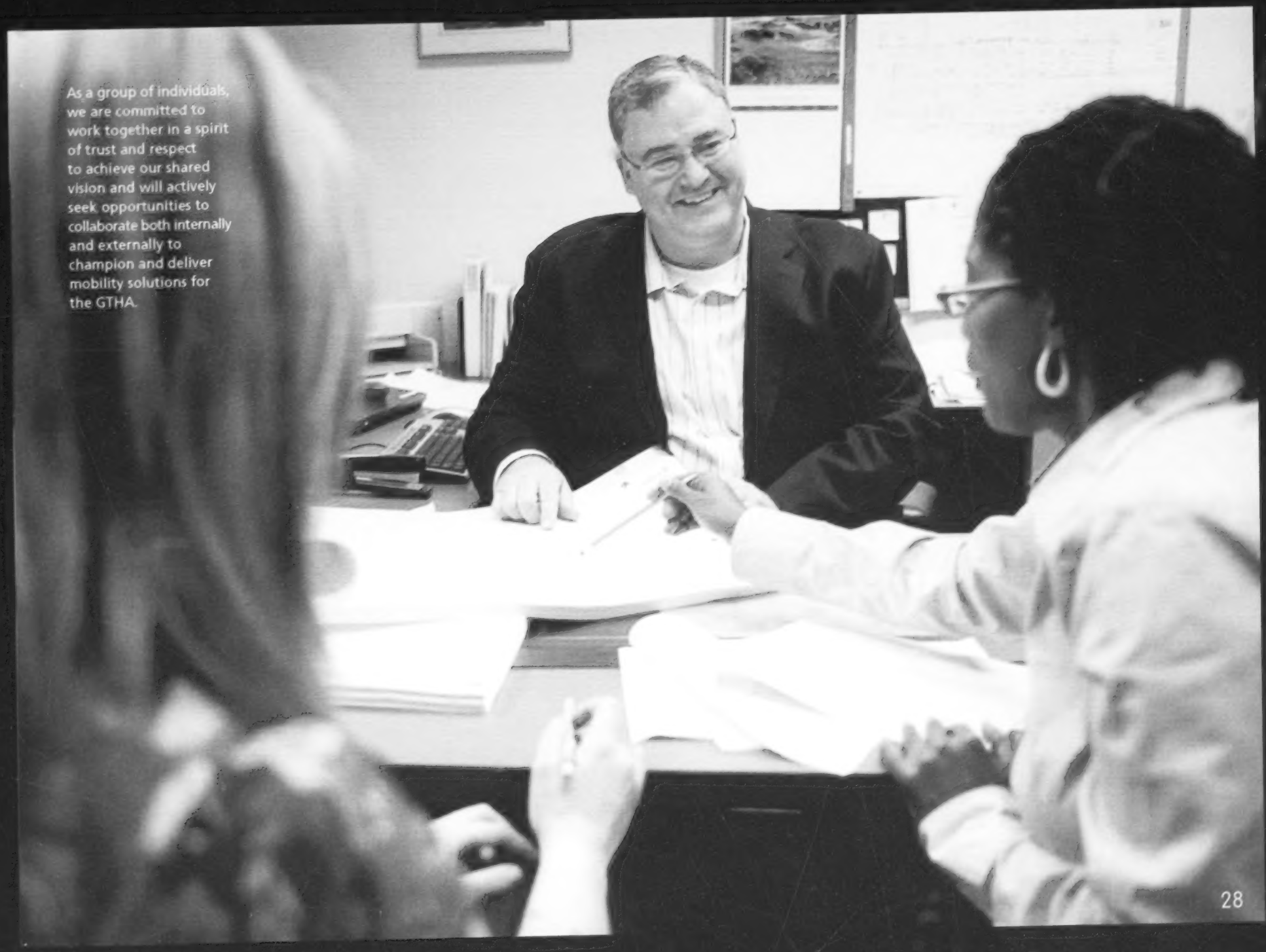
THE INVESTMENT STRATEGY: A PLATFORM FOR FUNDING

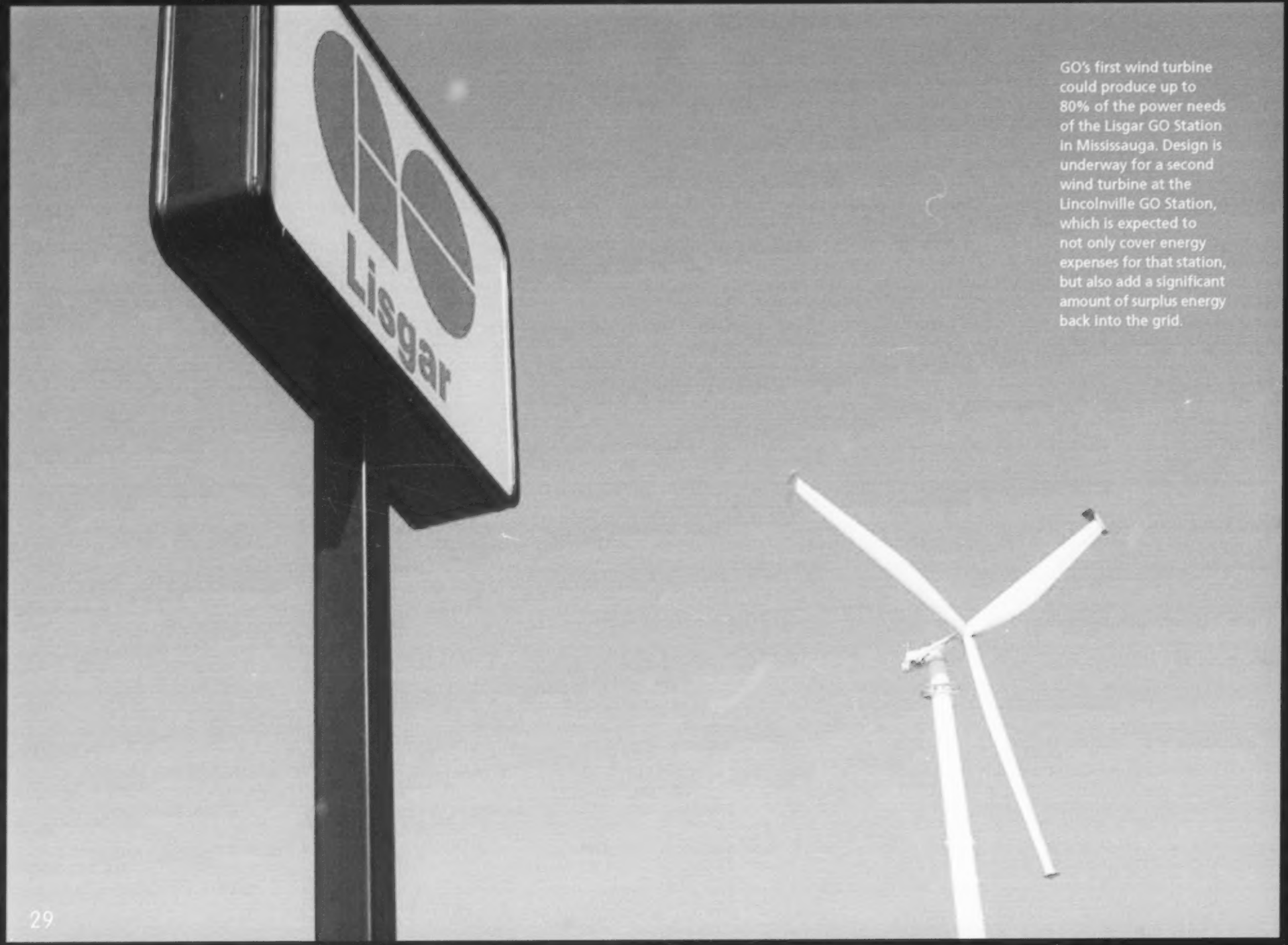
Long-term, stable and sustainable transportation funding is the key to securing the economic, environmental and quality of life goals of *The Big Move*. A robust Investment Strategy is essential to secure that funding.

To build and sustain the expanded and integrated regional transportation system of the future, Metrolinx is pursuing a "Results First" approach to earn public awareness and understanding about the role, types and impacts of possible dedicated funding tools. Metrolinx will demonstrate tangible implementation progress on the major projects funded by the province's $9.5 billion commitment, before seeking public support for new additional funding tools.

We are working closely with the region's leading stakeholders, including organizations such as the Toronto Board of Trade and Toronto City Summit Alliance, to advance and guide an informed dialogue. The first in a series public discussion papers and forums by these organizations will be launched in spring 2010. Metrolinx is pleased to support this important work.

Our long-term investment needs analysis suggests that $2 billion per year in dedicated revenues will be required to transform *The Big Move* from vision to reality. Achieving the right menu of appropriate tools, and the right bundle of project outcomes and benefits, will be the focus of the public dialogue and input to follow.


As a group of individuals, we are committed to work together in a spirit of trust and respect to achieve our shared vision and will actively seek opportunities to collaborate both internally and externally to champion and deliver mobility solutions for the GTHA.



GO's first wind turbine could produce up to 80% of the power needs of the Lisgar GO Station in Mississauga. Design is underway for a second wind turbine at the Lincolnville GO Station, which is expected to not only cover energy expenses for that station, but also add a significant amount of surplus energy back into the grid.

If all customers who used GO last year had driven to work instead, they would have used over 180 million litres of gasoline. A single 12-car GO Train takes nearly 1,700 single occupancy vehicles off the road every weekday.

SUSTAINABILITY: A GREEN PLATFORM

Extending GO services will help reduce greenhouse gas emissions into our environment and ease congestion on our highways.

Congestion already costs the GTHA economy $6 billion annually and, if left unchecked, that could grow to $15 billion a year by 2031. Without public transit expansion along the Georgetown South Corridor for example, a further eight lanes of highway would have to be constructed to carry growing passenger demands.

The cost to individual commuters is also significant. Average commute time in the GTHA is already among the highest of any metropolitan area in the world at 82 minutes a day. That could rise to 109 minutes a day by 2031, costing residents almost four more days a year in time not spent with family and friends. An integrated transportation system as envisioned in *The Big Move* will help sustain a high quality of life throughout the region.

The environment is a key consideration for all future transit development. As an example, Metrolinx is undertaking initiatives through the design stage of new and refurbished GO stations with the aim of achieving LEED Silver certification. GO launched its first wind turbine on April 21, 2009, showcasing one of its green initiatives on Earth Day.

Public transit is already a cleaner transportation option for commuters than the automobile and Metrolinx is exploring all options – from infrastructure to service delivery – to develop even greener links between people and places.

MOVING FORWARD: A PLATFORM FOR THE FUTURE

On June 14, 2010, Ontario Minister of Transportation, the Honourable Kathleen Wynne, announced approval of the Metrolinx 5 in 10 Plan. The plan will deliver the Big Five transit projects by 2020, while saving $4 billion in the first five years from the original timeline.

Metrolinx is working closely with Viva and the TTC to put in place strong project management controls, similar to those in place within GO Transit, to ensure the projects are well managed and delivered on time and on budget.

The *5 in 10 Plan* includes the purchase of 182 Light Rail Vehicles (LRV) over ten years for all four LRT lines. The Province's approval enabled Metrolinx to sign a contract with Bombardier, valued at $770 million, which includes an option to purchase up to 118 additional vehicles to a maximum of 300 LRVs.

Metrolinx is also working closely with Infrastructure Ontario to identify future value-for-money opportunities and implement projects under the Province's Alternative Financing and Procurement Strategy.

With direction from the Board and the Minister, we are developing a capital program priority framework that will inform their decision-making process for rationalizing and optimizing investment opportunities, and for allocating funds for interregional transit projects.

We go in to the 2010-11 year knowing we now have a strong platform for change. We at Metrolinx and our GO Transit operating division are proud to serve the public by helping improve the transit services across the GTHA, and by providing a high quality service in GO Transit.

We will continue to work hard to do our part to improve the environmental, economic and social vitality for the citizens of the GTHA.

The Big 5

1. VIVA BRT
2. Sheppard East LRT
3. Eglinton Crosstown LRT
4. Scarborough RT Upgrade and Extension
5. Finch LRT

plus 4

- A Spadina subway extension
- B Air Rail Link
- C Mississauga 403 Transitway
- D Union Station Revitalization

Legend

- Transit interchange or terminus
- LRV maintenance and storage facility
- Existing regional rail (GO)
- Existing rapid transit, fully segregated operation
- Phase 1, rapid transit, fully segregated operation
- Phase 2, rapid transit, fully segregated operation
- Phase 1, rapid transit, semi-segregated operation
- Phase 2, rapid transit, semi-segregated operation
- Express buses in mixed traffic

The Year in Review

Fiscal 2009-10 represented the first year of the combined operations of the former Metrolinx and GO Transit. The financial statements presented in this annual report have been prepared as if the combination occurred on April 1, 2008 in order to provide the reader with a clear understanding of year over year comparison of operations. Further details can be found in Note 2 of the financial statements.

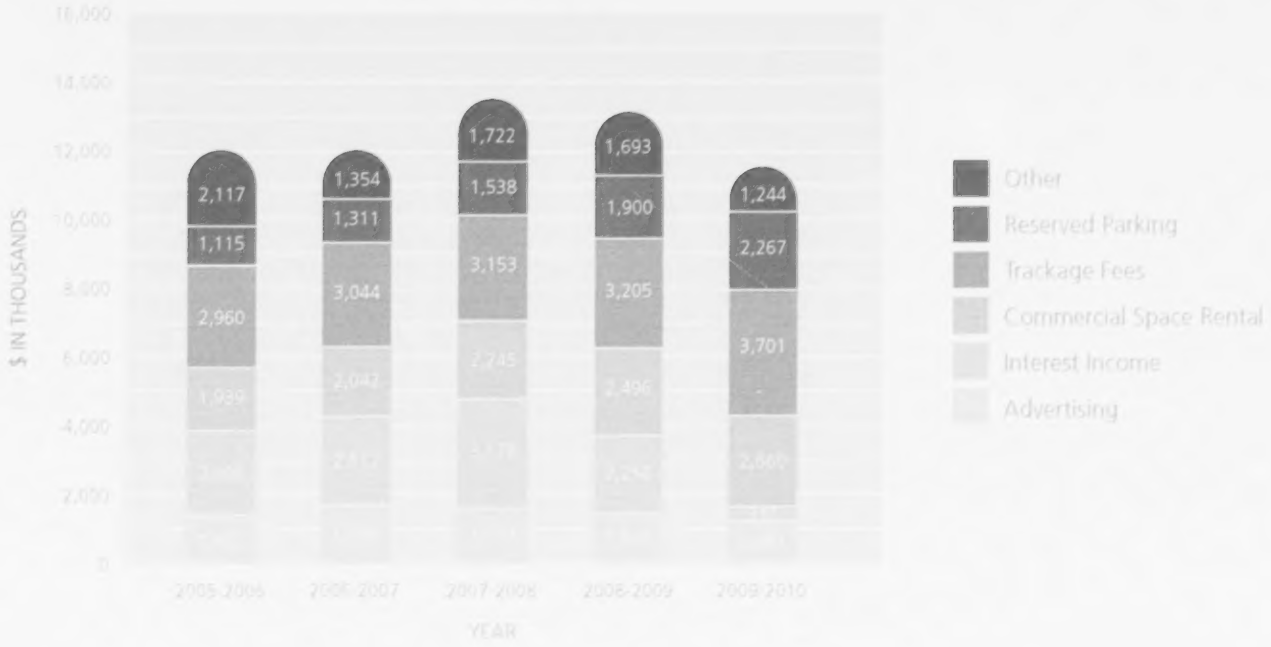
Operating Results

Ridership growth, which had been averaging 3.7% over the last ten years, slowed down significantly in the first half of the year. By the second half of the year ridership had started to get back to previous year levels. Despite the economic downturn, ridership for the year grew 1.2% with 55.57 million rides taken compared with 54.9 million rides in fiscal 2008-09. Total fare revenue for fiscal 2009-10 of $290.2 million was comparable to fiscal 2008-09 of $273.2 million. A fare increase of $0.25, introduced on March 14th, 2009, positively impacted fare revenues by approximately $14 million. Chart 1 outlines changes in total fare revenue over the last five years.

CHART 1: Total Commuter Revenue

Metrolinx's non-fare revenue represents 3.8% of its total operating revenue. Chart 2 shows the key components of non-fare revenue over 5 years (not including gain/loss on the sale of capital assets). During the year the low interest rates lead to a decline of $1.9 million in interest income over the previous year. Other non-fare revenues were up $1.1 million.

CHART 2: Non-Fare Revenue



Metrolinx's operations are broken down into two major areas of activity:

- **GO Transit Division** – an operating division providing bus and rail service to the public on a daily basis; and
- **Corporate Division** – planning, policy and other administrative activities of the Corporation, and the infrastructure investment activities surrounding *The Big Move* for the GTHA.

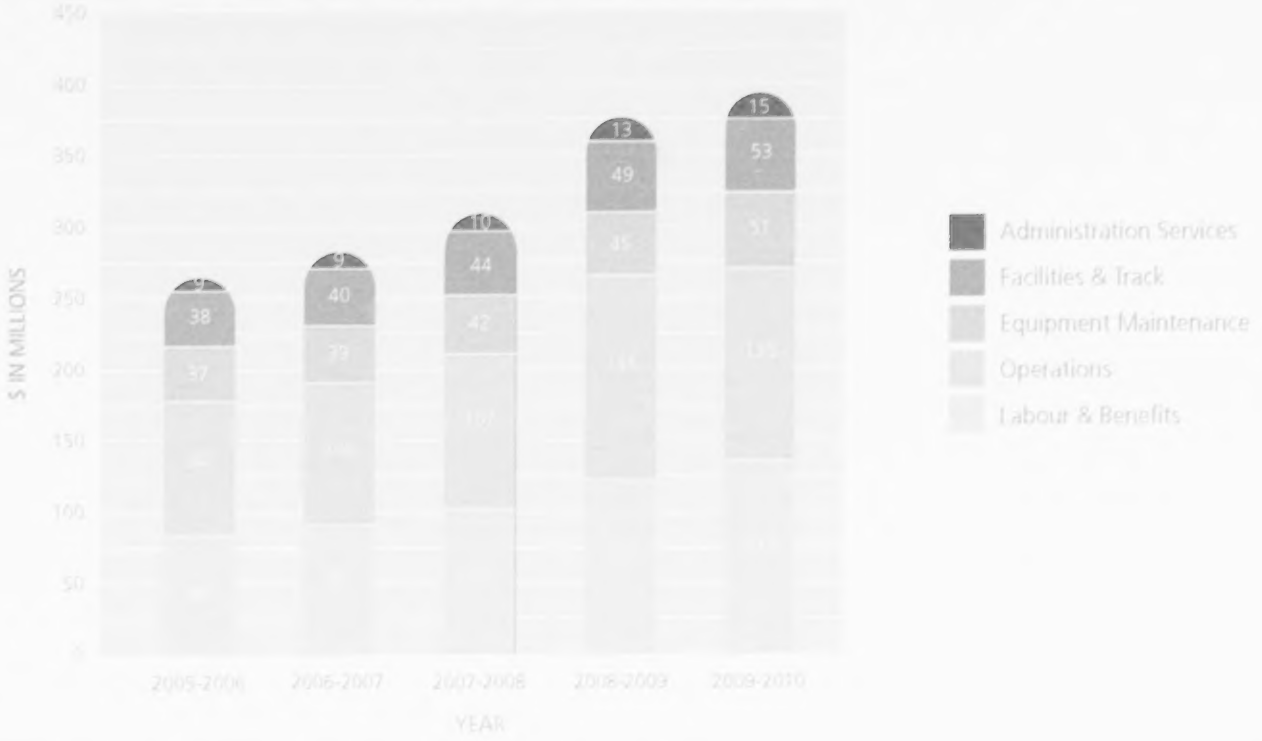
GO Transit uses its operating cost recovery ratio as a key financial performance measure and it compares favourably with those of other public transit authorities in Canada and the United States. GO has maintained this favourable ratio through effective management of key operating expenses and effective maintenance of its fleet of buses and trains. GO Transit budgeted an operating cost recovery ratio of 81.5% for fiscal 2009-10. The actual ratio came in at 78.1% due to 3.4% lower than projected revenues and slightly higher than projected operating expenses for crews and parts for bus and rail services.

GO Transit addresses the possible variability of some of its key expenses like fuel supply, by fixing the price on 80% of expected fuel requirements with its supplier on a rolling 12 month outlook for the year. Chart 3 provides the breakdown of Metrolinx's operating expenditures for the fiscal year.

CHART 3: Operating Expenses ($ in millions)

During the year Metrolinx experienced an increase of 0.6 per cent or $2.2 million in operating expenses over a budget of $384.1 million. The increase was primarily due to a one-time settlement of transition costs associated with the downsizing of crews when Bombardier began providing crews to GO Transit. The increase was offset by decreases in professional services and in lower utilities and diesel fuel costs due to a mild winter. Chart 4 provides a breakdown of operating expenses over the last five years.

CHART 4: Operating Expenses by Major Category



Capital Investments

Metrolinx embarked on its largest capital investment program since GO Transit was created over 43 years ago. Investment in capital assets totalled $1,156.8 million during the year as compared to $861 million for the previous year, reflecting the Province's plan to significantly increase its investment in public transit infrastructure. Major capital projects that moved forward during the year include:

- The purchase of two major sections of rail corridor for $239 million including the south end of the Barrie Corridor and the portion of the Lakeshore West Corridor between Union Station and the Willowbrook maintenance facility. These purchases brought the total ownership in GO Transit rail corridors to 54% allowing GO Transit to have greater control over the reliability and the future of its rail services;
- $129 million in investments and deposits to move the Big 5 projects through Environmental Assessment (EA), including approval of the Sheppard East LRT and continued work on EAs for Scarborough RT, Finch West LRT, Eglinton Crosstown LRT and York Viva BRT;
- Ownership transfer of 26 locomotives and 243 bi-level coaches previously leased from Toronto Area Transit Operating Authority (TATOA) at a book value of $59 million (transferred at a nominal value of $2.00);
- Progress payments of $69 million for 45 bi-level coaches expected to be delivered in fiscal 2010-11 and 2011-12. These coaches will be used to further increase the number of 12-coach trains, thereby increasing per train ridership in future years by over 20 per cent. (300 peak period per train riders);
- $50 million for progress payments on 30 more powerful and fuel efficient MP40 locomotives to allow GO Transit to move forward with its plan to increase its rail fleet from 10 to 12 car trains as an efficient and effective way of increasing ridership;
- $15 million to complete purchase of 20 conventional and 10 double-decker buses required to maintain current capacity and grow bus operations to service more

riders. With the addition of the 10 double-decker buses GO Transit now has a fleet of 22. These buses can transport 37% more riders per bus, are fully accessible and are one of the most fuel efficient buses available based on kilometres per passenger;

- $59 million in new parking structures for Aurora and Whitby and expansions of parking spaces for Maple, Mount Pleasant, Rouge Hill, Unionville and Centennial stations;
- $56 million on the Georgetown South and West Toronto Diamond projects expected to accommodate more train service for the Pan Am Games;
- $37 million for building a third track between Port Credit and Oakville thereby improving operational flexibility, on-time performance and the ability to add future trains; and
- $40 million for the first stage implementation of the PRESTO fare card to be used as the key method of fare payment in future years.

Chart 5 outlines the capital investments made by Metrolinx over the past 5 years. Chart 6 provides a summary of the fleet at the end of the fiscal year.

CHART 5: Five Year Capital Investments

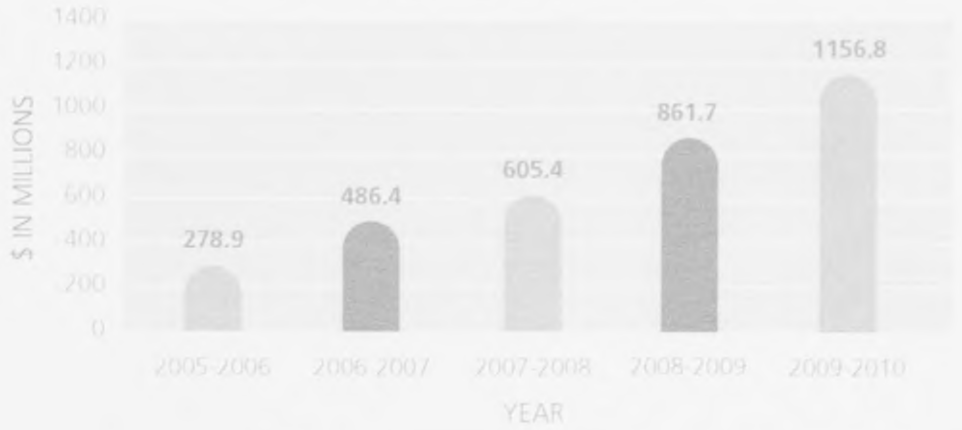


CHART 6: Service Levels and Infrastructure
(as at March 2010)

Train Service	
Lines	7
Stations	59
Route kilometres	390
Weekday train trips	180
Fleet size (number of trainsets)	42
Locomotives	58
Bi-level passenger railcars	478

Bus Service	
Terminals (plus numerous stops & ticket agencies)	17
Route kilometres	2,672
Weekday Union Station bus trips	484
Weekday bus trips, total system	2,045
Single-level buses	365
Double-decker buses	22

Across Our System	
Parking spaces	58,142
Parking structures	3
Wind turbines	1
Stations/terminals with bike shelters	49
Stations with bike lockers or reserved bike parking	5

Enterprise Risk Management

In addition to developing management policies and guidelines to direct the combined operations of Metrolinx and GO Transit, the Corporation completed Phase 1 of an Enterprise Risk Management system during the year to help ensure that its activities stay on course. Metrolinx has identified 37 potential risks that could significantly impact its ability to meet its goals and objectives and is in the process of developing strategies to address each of these risks. Changes to key risks facing the Corporation will be reported to the Audit, Finance and Risk Management Committee and the Board on a quarterly basis. Metrolinx is in the process of integrating risk management into its key management processes including budgeting, forecasting, performance and project management as a means of ensuring the success of the Corporation.

Performance Management

Metrolinx has also developed performance management measures and targets to ensure results are achieved against its goals and objectives, especially in the area of customer service. It has also recently completed mission, vision and value statements to drive its business. GO Transit's key performance indicator for operations is its reliability factor for on-time service. During the year GO Transit achieved a reliability factor of 91% in rail services. This compared favourably with the previous year's achievement of 88.1%. GO bus services also performed strongly during the year achieving 99% on-time performance.

Financial Statements

Metrolinx

March 31, 2010

Contents

	Page
Management Responsbility Letter	42
Auditors' Report	43
Statement of Operations	44
Statement of Financial Position	45
Statement of Changes in Net Assets	47
Statement of Cash Flows	48
Notes to the Financial Statements	50-68

June 21, 2010

Management's Responsibility for Financial Information

Metrolinx Management and the Board of Directors are responsible for the financial statements and all other information presented in these financial statements. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Canadian Institute of Chartered Accountants. Where appropriate, the financial statements include amounts based on management's best estimates and judgements.

Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information. Internal audits are conducted to assess management systems and practices, and reports are issued to the Audit Committee.

The Metrolinx Board of Directors, through the Audit Committee, assures that management fulfills its responsibilities for financial information and internal control. This Committee reviews the financial statements and the external auditors' report.

The financial statements have been examined by Grant Thornton LLP, Metrolinx's appointed external auditor. The external auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

For the fiscal year ended March 31, 2010, Metrolinx's Board of Directors, through the Audit Committee, was responsible for assuring that management fulfilled its responsibilities for financial reporting and internal control. The Committee meets regularly with management, the internal auditor and Grant Thornton LLP to satisfy itself that each group has discharged its respective responsibility. The Committee reviews the financial statements before recommending approval by the Board of Directors. Grant Thornton LLP had direct and full access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Metrolinx's financial reporting and the effectiveness of the system of internal controls.

J. Robert S. Prichard
President and Chief Executive Officer

Robert Siddall
Chief Financial Officer

Auditors' Report

Grant Thornton LLP
Royal Bank Plaza
19th Floor, South Tower
200 Bay Street, Box 55
Toronto, ON
M5J 2P9

T (416) 366-0100
F (416) 360-4949
www.GrantThornton.ca

To the Members of
Metrolinx

We have audited the statement of financial position of **Metrolinx** as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Metrolinx's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Metrolinx as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Toronto, Ontario
June 18, 2010

Chartered Accountants
Licensed Public Accountants

Audit • Tax • Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

Metrolinx
Statement of Operations

(Dollars in thousands) Year Ended March 31	Basis of presentation (Note 2) 2010	2009
Revenues		
Operating revenue	**$ 301,427**	$ 284,004
Contribution from the Province of Ontario	**68,427**	78,174
Contribution from the Government of Canada	**77**	-
Investment income	**313**	2,256
Amortization of deferred capital contributions	**171,712**	149,159
Gain (loss) on disposal of capital assets	**7,219**	(245)
	549,175	513,348
Expenses		
Administrative services	**15,185**	12,805
Equipment maintenance	**51,296**	45,393
Facilities and track	**53,110**	48,618
Labour and benefits	**137,408**	123,363
Operations	**134,670**	145,391
Amortization of capital assets	**169,528**	146,891
Amortization of long term lease	**327**	507
Unrealized loss on foreign exchange contract	**-**	(2,145)
	561,524	520,823
Excess of expenses over revenues	**$ (12,349)**	$ (7,475)

See accompanying notes to the financial statements.

Metrolinx
Statement of Financial Position

(Dollars in thousands) March 31	Basis of presentation (Note 2) 2010	2009
Assets		
Current		
Cash and cash equivalents	$ 120,454	$ 104,354
Receivables	41,189	29,686
Contributions due from Province of Ontario	59,480	-
Contributions due from Municipalities	20,000	20,264
Contributions due from Government of Canada	47,733	111,711
Spare parts and supplies	4,377	4,025
Prepaid expenses	5,434	8,095
	298,667	278,135
Funds being held for Province of Ontario (Note 5)	46,667	46,667
Long term receivable (Note 6)	800	1,600
Capital assets (Note 7)	3,803,277	2,741,073
Deposit on land	56,485	129,260
Advances on capital projects (Note 8)	47,421	-
Long term lease (Note 9)	29,515	29,842
	$ 4,282,832	$ 3,226,577

continued...

Liabilities		
Current		
Payables and accruals	**$ 251,914**	$ 194,825
Unearned revenue in respect of tickets sold and not used	**10,024**	10,022
Due to the Province of Ontario	**-**	37,057
	261,938	241,904
Advance from Province of Ontario (Note 5)	**46,667**	46,667
Deferred capital contributions (Notes 10)	**3,083,736**	2,453,680
Pension plan top-up benefits payable (Note 12)	**23,281**	21,535
Other employee future benefits payable (Note 13)	**41,777**	38,599
	3,457,399	2,802,385
Net Assets		
Net assets invested in capital assets (Note 14)	**823,447**	416,653
Net assets invested in long-term lease	**29,515**	29,842
Net assets held in reserves (Note 15)	**26,332**	26,332
Deficiency of net assets	**(53,861)**	(48,635)
	825,433	424,192
	$ 4,282,832	$ 3,226,577

Commitments (Note 16)
Contingencies (Note 17)

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

Metrolinx
Statement of Changes in Net Assets
(Dollars in thousands)
Year Ended March 31

	Invested in Capital Assets (Note 14)	Invested in Long term Lease	Net assets Held in Reserves (Note 15)	Deficiency	Basis of presentation (Note 2) Total 2010	Total 2009
Balance, beginning of year	$ 416,653	$ 29,842	$ 26,332	$ (48,635)	**$ 424,192**	$ 266,030
Excess of expenses over revenues	-	-	-	(12,349)	**(12,349)**	(7,475)
Amortization	(193)	(327)	-	520	-	-
Assets contributed by the Province of Ontario (Note 19 (b))	58,536	-	-	-	**58,536**	-
Land acquisitions, net of deposits	298,639	-	-	-	**298,639**	36,377
Disposal of land	(6,603)	-	-	6,603	-	-
Deposit on land	56,415	-	-	-	**56,415**	129,260
Balance, end of year	**$ 823,447**	$ 29,515	$ 26,332	$ (53,861)	**$ 825,433**	$ 424,192

See accompanying notes to the financial statements.

Metrolinx
Statement of Cash Flows

(Dollars in thousands) Year Ended March 31	Basis of presentation (Note 2) 2010	2009
Increase (decrease) in cash and cash equivalents		
Operating activities		
Excess of expenses over revenues	$ (12,349)	$ (7,475)
Amortization of capital assets and long term lease	169,855	147,398
Gain (loss) on disposal of capital assets	(7,219)	245
Foreign exchange contract	-	(2,918)
Amortization of deferred capital contributions	(171,712)	(149,159)
Employee future benefits, net of payments	4,924	7,088
	(16,501)	(4,821)
Change in non-cash working capital		
Receivables	(11,503)	(10,149)
Contributions due from Province of Ontario	(59,480)	58,378
Contributions due from Municipalities	264	(15,766)
Contributions due from Government of Canada	63,978	7,871
Spare parts and supplies	(352)	(948)
Prepaid expenses	2,661	(140)
Payables and accruals	57,089	24,847
Unearned revenue in respect of tickets sold and not used	2	1,000
Due to Province of Ontario	(37,057)	37,136
	(899)	97,408

continued...

Metrolinx
Statement of Cash Flows *(continued)*

(Dollars in thousands) Year Ended March 31	Basis of presentation (Note 2) 2010	2009
Investing activities		
Long term receivable	**800**	(1,600)
Purchase of capital assets	**(1,052,989)**	(733,618)
Proceeds from sale of capital assets	**16,200**	2,023
Deposit on land	**(56,415)**	(127,585)
Advances on capital projects	**(47,421)**	-
	(1,139,825)	(860,780)
Financing activities		
Grants received for purchase of land	**355,056**	165,637
Amounts received related to capital assets	**801,768**	696,096
	1,156,824	861,733
Net increase in cash and cash equivalents	**16,100**	98,361
Cash and cash equivalents, beginning of year	**104,354**	5,993
Cash and cash equivalents, end of year	**$ 120,454**	$ 104,354
Non-cash transaction:		
Locomotives and other rolling stock contributed by the Province of Ontario (Note 19 (b))	**$ 58,536**	$ -

See accompanying notes to the financial statements.

Metrolinx
Notes to the Financial Statements
(Dollars in thousands)
March 31, 2010

1. Nature of operations

Metrolinx is a Crown agency, reporting to the Minister of Transportation ("MTO"). It is a non-share capital corporation and is exempt from income taxes under Section 149(1) (d) of the Income Tax Act (Canada).

Metrolinx was created by sections of the *Greater Toronto Transportation Authority Act, 2006* which were proclaimed on August 24, 2006. On May 14, 2009, Bill 163 was proclaimed amending the *Greater Toronto Transportation Authority Act, 2006* and changing the title of the Act to the *Metrolinx Act, 2006*. As a result, the Greater Toronto Transit Authority (GO Transit) was dissolved and all of its assets, liabilities, rights and obligations have been assumed by Metrolinx effective May 14, 2009.

Metrolinx's mandate is to lead the coordination, planning, financing and development of an integrated multi-modal transportation network for the Greater Toronto and Hamilton Area. (GTHA). Taking a regional approach, Metrolinx will bring together the province, municipalities and local transportation authorities to produce long-term economically and environmentally sustainable transportation solutions.

GO Transit is a division of Metrolinx that operates an interregional public transit system consisting of integrated rail and bus corridors. The network of rail and bus services primarily serves communities across the Greater Toronto and Hamilton Area including the Cities of Toronto and Hamilton, and Regions of Halton, Peel, York, Durham as well as Simcoe County, Dufferin County, Wellington County and the cities of Barrie and Guelph and the Town of Bradford-West Gwillimbury.

2. Summary of significant accounting policies

Basis of presentation

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles. As indicated in Note 1, effective May 14, 2009 the operations of GO Transit were wound up into Metrolinx. The two entities were under the common control of the Province prior to the wind-up, accordingly these financial statements have been prepared based on the continuity of interests principle which requires the continuing entity, Metrolinx, to report the current and comparative records as if the two entities had been combined since inception. Accordingly, the current and comparative year financial statements include the entire year of operations for both Metrolinx and GO Transit.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and short term investments with maturities of three months or less.

Spare parts and supplies

Spare parts and supplies are carried at the lower of cost and replacement value. Cost is determined using the weighted-average method.

2. Summary of significant accounting policies (continued)

Amortization

Metrolinx provides for the amortization of the various classes of assets over their estimated useful lives on a straight-line basis as follows:

Buildings and equipment	
Shelters and ticket booths	5 years
Other buildings	20 years
Leasehold improvements	Lease Life
Locomotives	20 years
Other railway rolling stock	25 years
Improvements to railway right-of-way plant	20 years
Track work and installation	20 years
Buses including double decker buses	10 years
Parking lots	20 years
Enterprise software	7 years
Computer equipment and software	5 years
Grade separations	50 years
Sundry	
Furniture	12 years
Other	3-7 years

Construction-in-progress is comprised of direct construction and development costs. No amortization is recorded until construction is substantially completed and the assets are ready for productive use.

Long term lease

Long term lease represents the prepayment of the lease regarding Union Station. The amount is being amortized straight-line over 100 years, being the term of the lease plus one renewal period.

2. Summary of significant accounting policies (continued)

Employee future benefits

Metrolinx provides pension plan benefits through the multi-employer OMERS Pension Fund. The expense for the period equals the required contribution for the period.

Metrolinx provides a Top-Up pension plan benefit using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the estimated average remaining service lives of the members.

Metrolinx also provides other employee future benefits using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the estimated average remaining service lives of the members.

Commuter services revenue

Revenue is recognized when the transportation service is provided. Unearned amounts are reflected in the statement of financial position as unearned revenue.

Contributions

Metrolinx follows the deferral method of accounting for contributions. Unrestricted contributions, including operating grants are recognized as revenue in the period to which they relate.

Deferred capital contributions relate to funds received for the acquisition of capital assets. These deferred capital contributions are recognized as revenue over the same period as the amortization of the related capital asset.

2. Summary of significant accounting policies (continued)

Net assets held in reserves

Net assets held in reserves are internally restricted to provide a funding source for planned future obligations and to provide flexibility against uncertainties which may arise. All reserves are approved by Metrolinx's Board and are disclosed on the statement of financial postion as equity.

The Municipal Capital and Operating Restructuring (MCOR) reserve was established to assist in funding large capital expenditures.

The Employment Obligation reserve was established to assist in funding general employment related obligations of Metrolinx.

The Self Insured Retention reserve was established to assist in funding any claims against the self-insured retention layer of Metrolinx's insurance program.

The Stabilization reserve was established to assist in funding fluctuations in operating and capital budgets of Metrolinx from year to year.

Classification of financial instruments

Cash and cash equivalents are classified as held for trading. Receivables, contributions due from Province of Ontario, contributions due from Municipalities, contributions due from Government of Canada and funds being held for Province of Ontario have been classified as loans and receivables. Payables and accruals, due to the Province of Ontario and advance from Province of Ontario have been classified as other financial liabilities.

Contracts to buy or sell a non-financial item

As permitted for not for profit organizations, Metrolinx has made an accounting policy choice not to apply Section 3855, Financial Instruments – Recognition and Measurement, to contracts to buy or sell a non-financial item including derivatives embedded therein. Contracts related to the diesel fuel purchases are therefore excluded from the application of Section 3855 and not recognized in the financial statements but disclosed in Note 3.

2. Summary of significant accounting policies (continued)

Adoption of new accounting standards

Effective April 1, 2009, Metrolinx adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

- Section 4400, "Financial Statement Presentation", has been amended to permit a not for profit organization to present net assets invested in capital assets as a category of internally restricted net assets and clarification of presentation of revenue and expenses on a gross basis when the entity is acting as a principal in a transaction. Metrolinx has chosen to continue to disclose net assets invested in capital assets as a separate component of net assets.
- Section 4460, "Disclosure of Related Party Transactions", has been amended to align the definition of related parties to CICA section 3840, Related Party Transactions.
- Section 4470, "Disclosure of Allocated Expenses", establishes disclosure standards for a not for profit organization that classified its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

There was no impact on the financial statements or additional disclosures required as a result of adopting the above Handbook sections.

3. Financial instruments

Fair values

The fair values of cash and cash equivalents, receivables, contributions due from Province of Ontario, contributions due from Municipalities, contributions due from Government of Canada, funds being held for Province of Ontario, payables and accruals and advance from Province of Ontario are assumed to approximate their carrying amounts because of their short term to maturity.

Credit risk

Metrolinx is subject to credit risk through its receivables. It is management's opinion that the risk is minimal as most of the receivables are from federal, provincial and municipal governments and organizations controlled by them.

Interest rate risk

Metrolinx does not have significant exposure to interest rate risk.

Other price risk

Metrolinx is exposed to changes in crude oil prices as a result of diesel fuel consumption. The potential fluctuations in crude oil prices could have a significant impact on the cost of providing transportation services. This risk is reduced, from time to time, through the use of diesel fuel forward purchase contracts to lock in firmly committed future operating costs for own use consumption. As at March 31, 2010, Metrolinx has seven fixed fee agreements in place to purchase 40.4 million litres of diesel fuel at prices ranging from $0.6892 to $0.7050 per litre. The excess fuel purchased beyond the committed amount is at market prices.

4. Capital disclosures

The capital structure of Metrolinx consists of net assets and deferred capital contributions.

Metrolinx's main objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide the appropriate level of services to its stakeholders.

Metrolinx is subject to restrictions in how it is to utilize its externally restricted deferred capital contributions. Metrolinx employs internal control processes to ensure the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the period.

Metrolinx manages its capital structure and makes adjustments to it in light of economic conditions and the risk characteristics of the underlying assets.

5. Funds being held for Province of Ontario

In 2007 the former Greater Toronto Transit Authority (GO Transit) received $46,667 from the Province of Ontario for their contribution towards the Toronto Transit Commission ("TTC") participation in the GTA Farecard project. TTC has not yet met the requirements to receive this funding and consequently the cash held by Metrolinx and the obligation to the Province have been segregated on the statement of financial position.

6. Long term receivable

Receivable due from a municipality for the reimbursement of construction costs is payable over a five year period. Amounts due within one year are included in current receivables and the remaining balance is classified as long term receivable in one instalment of $800 and is due in 2012.

7. Capital assets

	Cost	Accumulated Depreciation	2010 Net Book Value	2009 Net Book Value
Land	$ 707,971	$ -	**$ 707,971**	$ 286,745
Buildings	424,000	227,937	**196,063**	176,198
Leasehold improvements	23,845	20,939	**2,906**	13,132
Locomotives and other railway rolling stock	979,254	231,040	**748,214**	649,370
Improvements to railway right-of-way plant	844,231	429,825	**414,406**	379,208
Track work and installation	371,703	97,624	**274,079**	257,179
Construction-in-progress	1,088,572	-	**1,088,572**	663,696
Buses	270,070	111,800	**158,270**	154,004
Parking lots	239,125	84,090	**155,035**	113,835
Computer equipment and software	41,998	23,498	**18,500**	17,647
Other	118,484	79,223	**39,261**	30,059
	$ 5,109,253	$ 1,305,976	**$ 3,803,277**	$ 2,741,073

Construction-in-Progress includes the following:

	2010	2009
Rail Corridor Expansion	**$ 418,344**	$ 289,850
Union Station	**108,265**	91,730
Rail Fleet	**127,963**	56,857
PRESTO System	**138,598**	98,918
Light Rapid Transit and Bus Rapid Transit	**50,969**	-
Various	**244,433**	126,341
	$ 1,088,572	$ 663,696

8. Advances on capital projects

During the year, Metrolinx entered into Memorandum of Agreements (MOAs) with York Region Rapid Transit Corporation (YRRTC), The Regional Municipality of York (York Region), City of Toronto and the Toronto Transit Commission (TTC). The MOAs outline the projects, expected costs, and responsibilities of the parties involved. The MOAs also outline the definition of eligible costs and ownership rights of the projects specified in the agreements. The original MOAs were for the period April 1 to December 31, 2009 and costs were projected to be approximately $213 million. The MOAs were extended until May 31, 2010 for the City of Toronto and the TTC and June 30, 2010 for YRRTC and York Region.

Pursuant to these agreements, advances were paid to the Region of York and to the Toronto Transit Commission to provide working capital totalling $47,421 to fund projects being developed by the Region of York and Toronto Transit Commission on behalf of Metrolinx. The advanced funds are to be held in a separate account and any interest accrued will be applied against the project.

As at March 31, 2010, Metrolinx has expended approximately $129.1 million in relation to these projects, including the following amounts which have been advanced for costs expected to be incurred to May 31 and June 30, 2010.

	2010	2009
Region of York	$ 22,732	$ -
Toronto Transit Commission	24,689	-
	$ 47,421	$ -

9. Long term lease

	Cost	Accumulated Amortization	2010 Net Book Value	2009 Net Book Value
Leasehold, Union Station	$ 32,704	$ 3,189	$ 29,515	$ 29,842

10. Deferred capital contributions

The changes in the deferred capital contributions for the year are as follows:

	2010	2009
Balance, beginning of year	$ 2,453,680	$ 1,906,743
Contributions received or receivable in the period for capital asset acquisitions		
Province of Ontario	739,919	603,214
Municipalities	24,409	32,657
Government of Canada	37,440	60,225
Amortization of deferred capital contributions	(171,712)	(149,159)
Balance, end of year	$ 3,083,736	$ 2,453,680

Metrolinx realized a shortfall in Municipal funding related to its capital program. The Province has provided funding to bridge the shortfall in the current year in the amount of $50,868 (2009 - $54,903) and the cumulative amount is $174,801. The Province will work with its Municipal partners to address the funding shortfalls.

11. Pension contributions

Metrolinx provides pension benefits for substantially all of its permanent employees through participation in the Ontario Municipal Employees Retirement System (OMERS) Pension Fund. The amount expensed in pension contributions for the year ended March 31, 2010 is $8,132 (2009 – $6,441).

12. Pension plan top-up benefits payable

With repatriation of the former GO Transit to the Province in 2002, bargaining and non-bargaining employees requested the Province to rectify the difference in pension benefits to be received by employees of GO Transit. When GO Transit was transferred from the Province to the Greater Toronto Services Board in 1999, the Provincial Plans were frozen and a new plan commenced under OMERS. It had been resolved that GO Transit was responsible for the pension obligation and accordingly GO Transit completed an actuarial valuation as of April 1, 2007. The pension expense recognized during the year is $2,347 (2009 - $2,657).

For the purpose of accounting for top-up benefits, Metrolinx has adopted the policy to recognize gains and losses in a year in excess of the minimum amortization (which is the portion of accumulated gains and losses which exceed 10% of the accrued benefit obligation, divided by the expected average remaining service life).

12. Pension plan top-up benefits payable (continued)

Information about Metrolinx's pension plan top-up is as follows:

	2010	2009
Accrued benefit obligation	$ 30,998	$ 17,486
Fair value of plan assets	448	383
Funded status - plan deficit	30,550	17,103
Unamortized net actuarial (loss) gain	(7,269)	4,432
Accrued benefit liability	$ 23,281	$ 21,535

Plan assets by asset category are as follows:

	2010	2009
Cash invested	21%	27%
Cash on deposit with Canada Revenue Agency	79%	73%
	100%	100%

Other information about Metrolinx's benefit plan is as follows:

	2010	2009
Employer Contributions	$ 300	$ --
Benefits paid	$ 237	$ 138

The significant actuarial assumptions adopted in measuring Metrolinx's pension plan Top-up benefit obligations are as follows:

Discount rate	- 6.25% (2009 – 8.7%)
Rate of compensation increase	- 3 % (2009 – 3%)
Inflation per annum	- 2 % (2009 – 2%)
Expected average remaining service life	- 10 years (2009 – 10 years)

13. Other employee future benefits payable

Metrolinx provides post-retirement life and health benefits, Workplace Safety & Insurance Board ("WSIB") liabilities and retiree severance benefits. The plan is unfunded and requires nominal contributions from employees. Substantially all full time active employees are eligible for life and health benefits. A limited number of employees are eligible for severance benefits.

The measurement date of the plan assets and accrued benefit obligation is March 31 of each year. The most recent actuarial valuation of the other employee future benefits for funding purposes was as of March 31, 2008. The post-retirement non-pension benefits recognized during the period was $5,129 (2009 - $5,575).

For the purpose of accounting for post-retirement non-pension benefits, Metrolinx has adopted the policy to recognize gains and losses in a period in excess of the minimum amortization (which is the portion of accumulated gains and losses which exceed 10% of the accrued benefit obligation, divided by the expected average remaining service life).

Information about Metrolinx's post-retirement non-pension benefits is as follows:

	2010	2009
Accrued benefit obligation	$ 49,391	$ 33,137
Fair value of plan assets	-	-
Funded status - plan deficit	49,391	33,137
Unamortized net actuarial (loss) gain	(7,614)	5,462
Accrued benefit liability	$ 41,777	$ 38,599

13. Other employee future benefits payable (continued)

Other information about Metrolinx's benefit plan is as follows:

	2010	2009
Employer contributions	$ 1,951	$ 1,136
Benefits paid	$ 1,951	$ 1,136

The significant actuarial assumptions adopted in measuring Metrolinx's Post-retirement non-pension benefit obligations are as follows:

Discount Rate for Post-retirement non-pension benefit	- 6.20% (2009 – 8.5%)
Discount Rate for WSIB liabilities and retiree severance benefits	- 5% (2009 – 7%)
Expected average remaining service life for Post-retirement non-pension benefit	- 14 years (2009 – 14 years)
Expected average remaining service life for WSIB liabilities	- 10 years (2009 – 10 years)
Expected average remaining service life for retiree severance benefits	- 9 years (2009 – 9 years)
Rate of compensation increase	- 3% (2009 – 3%)
Inflation per annum	- 2% (2009 – 2%)
Initial Weighted Average Health Care Trend Rate	- 6.85% (2009 – 6.98%)
Ultimate Weighted Average Health Care Trend Rate	- 4.5% (2009 – 4.5%)
Dental care benefits increase	- 4.5% (2009 – 4.5%)

14. Net assets invested in capital assets	2010	2009
Capital assets	$ 3,803,277	$ 2,741,073
Deposits on land	56,485	129,260
Advances on capital projects	47,421	-
Less deferred capital contributions used to purchase capital assets	(3,083,736)	(2,453,680)
	$ 823,447	$ 416,653

15. Net assets held in reserve

The net assets held in reserve as at both March 31, 2010 and 2009 are as follows:

MCOR	$ 21,051
Employment Obligation	889
Self Insured Retention	2,013
Stabilization	2,379
	$ 26,332

16. Commitments

a) The minimum lease payments for premises in each of the next five years are as follows:

2011	$ 3,178
2012	2,273
2013	2,116
2014	1,514
2015	685
Subsequent	820
	$ 10,586

b) Metrolinx has also committed approximately $1,251,777 for various capital asset additions. In addition, the Toronto Transit Commission and York Region have committed approximately $101,688 on projects they are implementing on behalf of Metrolinx.

c) A significant amount of the services provided by Metrolinx are operated and maintained by outside parties. These services are governed by the agreements with the Canadian National Railway Company ("CN"), Canadian Pacific Railway Company ("CP") and Bombardier Inc. and by a number of minor service agreements. Metrolinx has entered into the following major agreements for approximately $120,000 per year:

i) Master Operating Agreement with CN terminating on May 31, 2010. Negotiations on a new agreement are ongoing with CN. The existing agreement has been extended until such time as a new agreement is finalized.

ii) Commuter Agreement with CP terminating December 31, 2010.

iii) Equipment Maintenance Contract with Bombardier terminating on May 31, 2013.

iv) Rail Crew Contract with Bombardier terminating May 31, 2013.

d) As at year-end, Metrolinx had outstanding letters of credit totalling $2,098.

16. Commitments (continued)

e) On June 14, 2010, Metrolinx awarded a contract to Bombardier for the delivery of 182 Light Rail Vehicles. The base contract value is $770,392 excluding taxes and escalation and delivery of the vehicles is expected between 2013 and 2020. Funding for the contract will be provided by the Province of Ontario through Metrolinx's capital budget. Payments will be made at prescribed milestones outlined in the contract.

f) Metrolinx's capital program for the March 31, 2011 fiscal year is approximately $1.3 billion. Commitments will be entered into by Metrolinx throughout the year related to the capital program.

---

17. Contingencies

a) Various lawsuits have been filed against Metrolinx for incidents which arose in the ordinary course of business. Management has reviewed these claims and the outcome of the lawsuits, now pending, is either not material or is not yet determinable.

b) Metrolinx has a disputed claim in the amount of $3,100 with a landlord with respect to a leasing agreement. An accrual in the amount of $1,200 has been made for the disputed amounts. Management believes that its interpretation of the lease and the methodology used to calculate the operating expenses is correct and that it will be successful in its current negotiation with the landlord. The negotiations are in their early stages and it is difficult to determine the outcome with certainty. As a result, the disputed amount has not been accrued in the financial statements.

18. Foreign exchange forward contract

In September 2005, in consultation with the Ontario Finance Authority (OFA), GO Transit awarded a contract to a US supplier in US dollars to purchase 27 diesel electric locomotives. At the same time, GO Transit entered into a contract with OFA to purchase the required US dollars to ensure budget certainty. The contract stated the purchase of $28,112 US dollars at rates varying from 1.1322 to 1.1360. As of March 31, 2008 there was a change in the fair value of the economic hedge of $2,918 which was recorded as an unrealized foreign exchange loss in the 2008 statement of operations. When the contract matured in the year ended March 31, 2009 the realized loss was $773, resulting in a net foreign exchange gain on the contract for the period of $2,145.

19. Related party transactions

Metrolinx had the following transactions with related parties during the year:

a) The Ministry of Transportation charged Metrolinx $4,602 (2009 - $2,540) during the year for the provision of services provided and $1,188 for land sold by the Ministry of Transportation. At March 31, 2010, payables and accruals included $551 (2009 – $969) owing to the Ministry of Transportation.

b) During the year ended March 31, 2010 Metrolinx purchased 26 locomotives and 243 bi-level coaches for two dollars from Toronto Area Transit Operating Authority (TATOA) that were previously on lease with Metrolinx. The transfer of these assets was treated as a contribution from the Province equivalent to the net book value of these assets maintained by TATOA, that aggregated to $58,536. TATOA is a crown corporation reporting to Minister of Transportation, and is related to Metrolinx by virtue of their respective relationships with the Minister of Transportation.

   During the year ended March 31, 2010, Metrolinx sold thirteen (March 31, 2009 – seven) locomotives purchased from TATOA for a gain of $2,300 (March 31, 2009 - $1,381).

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.